Workers' Compensation Board of B.C.

2001 Annual Report

WorkSafe™

DOC
BC
WB
R
2001

Our Vision

Workers and workplaces safe and secure from injury and disease

Our Mission

To assist workers and employers to ensure safe workplaces, with income security and safe return to work for injured workers

Our Values

Service — Client-focused, result-focused

People — Respectful, collaborative, supportive

Business — Ethical, professional, prudent

Development — Future-oriented, improvement-oriented, learning-oriented

The Mandate of the WCB

The *Workers Compensation Act* empowers the WCB to set and enforce occupational health and safety standards, provide legislated compensation and rehabilitation benefits to injured workers or their dependants, and collect funds from businesses to operate the workers' compensation system.

The WCB, which serves nearly two million workers and 170,000 employers, is dedicated to:

- Preventing workplace injuries, diseases, and fatalities
- Rehabilitating injured workers and returning them to productive, safe employment
- Providing legislated compensation benefits and fair decision-making for workers suffering from an occupational disease or injury
- Providing sound financial management for a viable workers' compensation system
- Protecting the public interest

Contents

Operational Highlights 1

Message from the Chair and President 2

The Board's Structure 4

The Board's Operating Divisions 6

Enhancing the Strategic Plan 16

Direct Reports to the Panel 18

Management Discussion and Analysis 22

Financial Review 28

LEGISLATIVE LIBRARY OF BRITISH COLUMBIA
3 3298 00264 5704

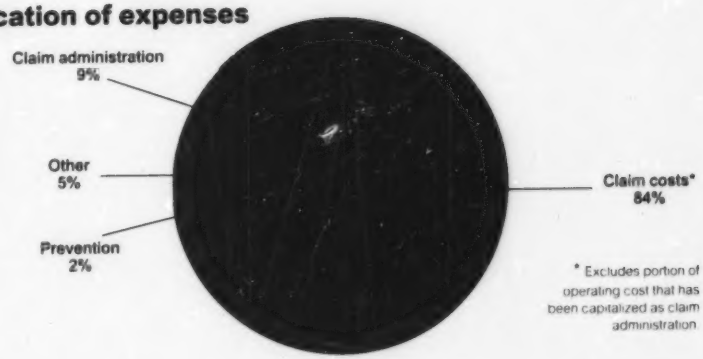
Operational Highlights

102-05606/

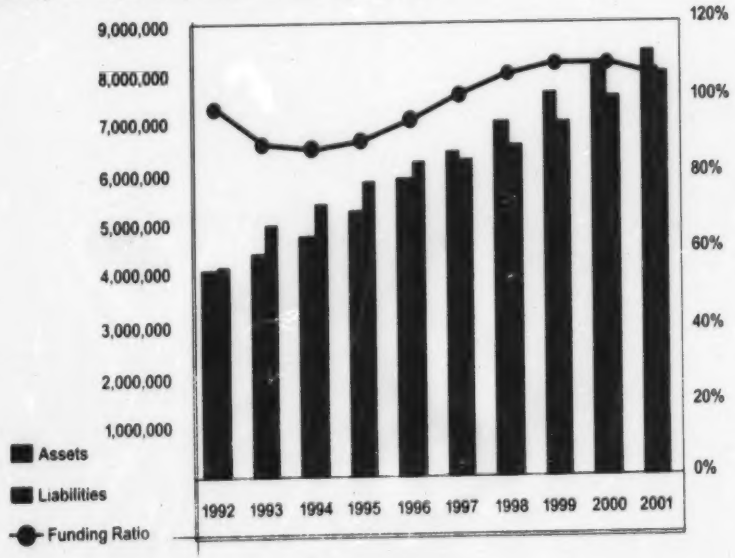
Key financial comparatives

($ millions)	2001	2000
Premium income	$909	$866
Investment income	$586	$785
Claim costs	$1,649	$1,445
Operating and prevention costs	$133	$131
Surplus from operations	$(287)	$75
Total assets	$8,467	$8,264
Total liabilities	$8,043	$7,554
Unappropriated balance	$134	$421
Investment return of portfolio	7.5%	10.6%
Percent funded (ratio of assets to liabilities)	105%	109%

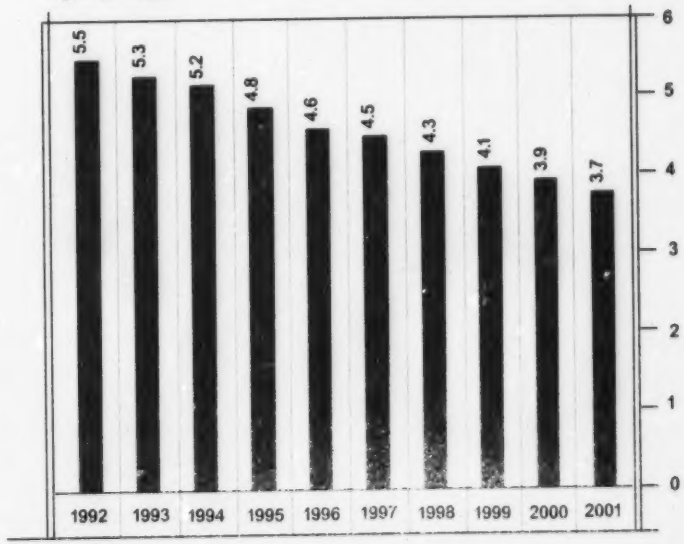
Allocation of expenses



Assets, liabilities, and funding status



Injury rate



Message from the Chair and President

Anticipating and preparing for change

The past few years have been marked by a period of relative stability for the Workers' Compensation Board. This stability has allowed for the successful completion of a number of initiatives meant to improve the workers' compensation system.

In contrast, 2001 brought a period of anticipation and preparation for change, not only for the Board, but for its stakeholders as well. A new government and the shift to a new era, the government-initiated WCB Core Services Reviews, and a change in the composition of the Panel of Administrators all occurred during 2001. These changes have opened opportunities for the Board and its stakeholders to seek improvements to the system — improvements that will benefit both workers and employers.

WCB initiatives centred on increasing accessibility for users.

Two thousand and one also marked a year of global change. Virtually every organization in North America has been affected by the events of September 11, 2001. Our organization is no exception. The downturn in the global economy negatively impacted the Board's investment portfolio as the period of exceptionally high financial market returns came to a close. Diminishing investment returns occurred at the same time as rising long-term claim costs. As a result, for the first time in six years, the Panel of Administrators approved a small increase of 1 percent in the average base assessment rate for 2002. Larger increases are likely in the near future if claim costs continue to rise and investment income returns to more traditional levels.

Despite many challenges, a number of successes were achieved in 2001. WCB initiatives centred on increasing accessibility for users of the system, improving claims management, and focusing on core services, while continuing to support effective, efficient, and timely service delivery.

In the Prevention area, the Focus Firm and Young Worker strategies targeted high-risk workers and firms, and helped to reduce the overall injury rate by 5 percent to 3.7 accepted short-term disability claims per 100 person-years of employment. A small business web site was developed that is linked to a searchable Occupational Health and Safety Regulation and will assist employers to meet occupational health and safety requirements. Efforts will continue to improve delivery of services and programs to small businesses in the province.

In the areas of Finance and Assessments, the enhancement of the Data Warehouse improved the ability to gather and maintain information that will better inform decision-makers. In addition, improved Internet applications for employer registration and multi-subject clearance letters were launched on the Board's external web site.

In the area of Compensation Services, more effective management of claims activity and volume was achieved by focusing on core services. This resulted in a reduction in the inventory of claims in 2001 and no growth in the cost of health care, vocational rehabilitation, and short-term disability.

The divisions that report directly to the Chair also achieved a number of successes in 2001. The Policy and Regulation Development Bureau provided vital support to the Core Services Reviews and is preparing for changes resulting from these reviews. The Research Secretariat completed its first research competition in 2001. Funding was approved for 10 new research projects that will further our knowledge and understanding of healthy and safe workplaces. As a result of improved practices, the volume of decisions made by the Appeal Division rose significantly. In 2001, the inventory of undecided appeals was reduced by more than 40 percent.

A number of key changes are expected from the Core Services Reviews. The review of legislation and policy is expected to result in a number of significant changes to the structure of the Board. Fundamental changes are also expected to workers' compensation legislation — changes that ensure the system can sustain itself over the long term and the provision of benefits that are comparable with other provinces in Canada. The review of service delivery is expected to enhance the user-friendliness of the system, and increase fairness and equity for workers and employers.

Despite the magnitude of change that the coming year is expected to bring, our primary goal remains the creation of workplaces that are safe and secure from injury and disease. The Board will continue to strive to meet this goal by working closely with both workers and employers.

We would like to thank staff at the WCB along with workers and employers for their hard work to continually improve the system. We would also like to express our appreciation to previous Panel members Eric Mitterndorfer, George Heyman, Wolfgang Zimmerman, and Margaret Arthur for their knowledge, dedication, and ability to work together to resolve many challenging issues.

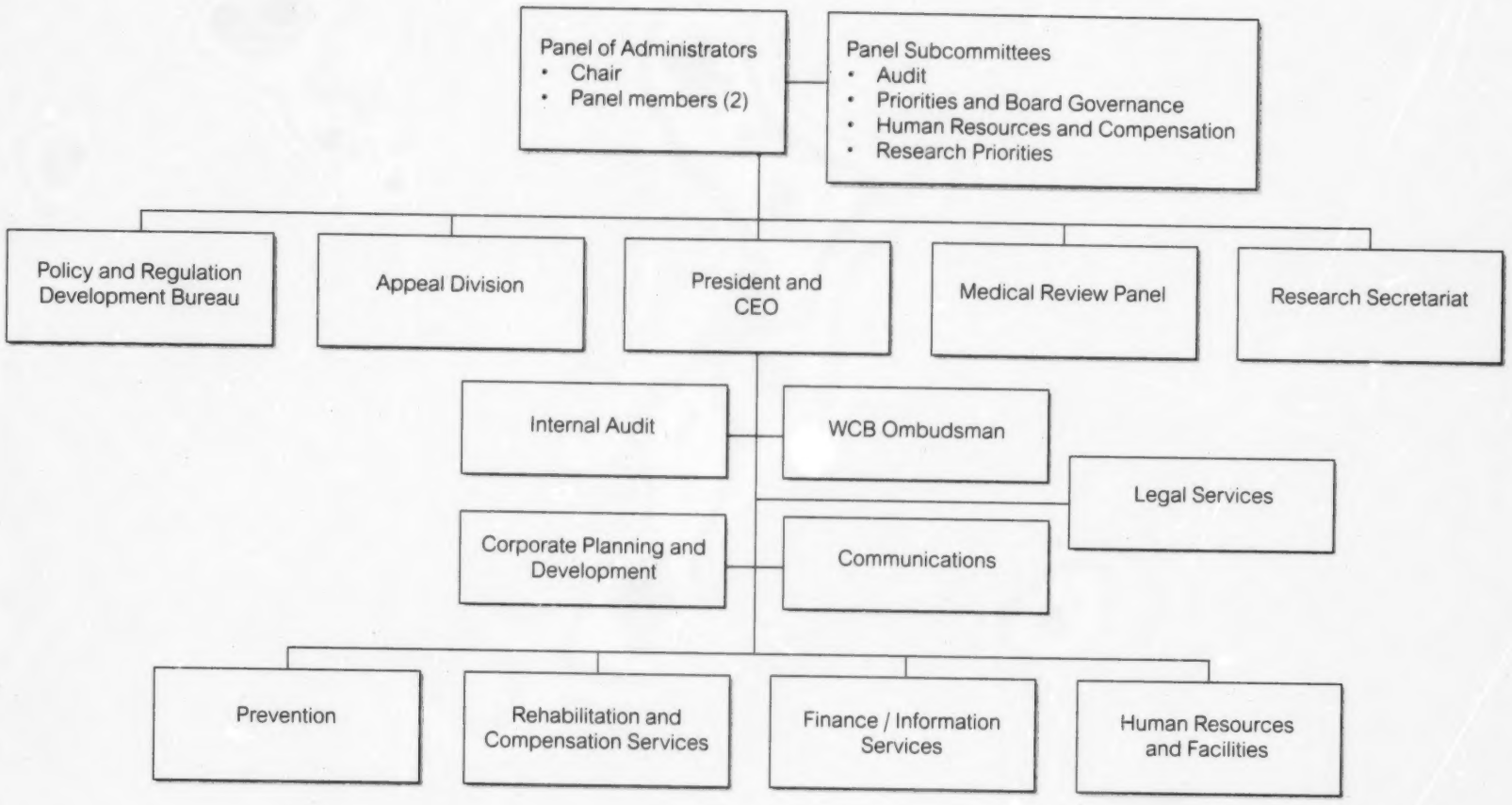
Every year on April 28, we join families, workers, employers, unions, and the general public in commemorating those workers who lost their lives on the job. This Report is dedicated to all the workers who lost their lives in 2001 and to their families.

Maureen S. Nicholls
Chair, Panel of Administrators
Workers' Compensation Board of B.C.

Ralph W. McGinn
President and Chief Executive Officer
Workers' Compensation Board of B.C.

Our primary goal remains the creation of workplaces that are safe and secure from injury and disease.

The Board's Structure



The Board's Operating Divisions

The Board's Operating Divisions

Year in review

Two thousand and one was a year of challenge for the Workers' Compensation Board of B.C. in meeting the needs of its stakeholder communities as set out in the Board's Strategic Plan and the 2001 corporate business plan. The Workers' Compensation Board insured nearly 2 million workers and 170,000 employers in 2001.

The Board's mandates include:

- Workplaces that are safe and secure from injury and disease
- The successful rehabilitation and return to work of injured workers
- Legislated compensation benefits and fair decision-making for injured workers
- Sound financial management to ensure a viable workers' compensation system

To better achieve these mandates, the Board's administration intensified its focus on service, quality, and accountability in 2001.

The Workers' Compensation Board insured nearly 2 million workers and 170,000 employers in 2001.

While 2000 was spent stabilizing operations and reducing organizational churn due to systems and process changes undertaken in previous years, 2001 was centred on the basics:

- Targeted injury prevention initiatives
- The formation and support of industry safety associations
- Quality and timely adjudication
- Improved service delivery systems, including the development of alternative delivery mechanisms through the Internet
- Investment in the training and development of Board staff

The *Workers Compensation Act* mandates a mutual insurance and accident prevention program that protects workers, provides financial and medical care to injured workers and their dependants, and protects employers from litigation. The Board's income is derived from employer insurance premiums and investment revenues from the funds set aside to pay for long-term benefits to permanently disabled workers. The Board's expenses include short-term disability costs arising from work-related injuries in the current year, and future benefits for permanent disability and to survivors of fatally injured workers.

The period of exuberant financial market returns in the late 1990s came to a close in 2001. While anticipated by the Board for a number of years, the correction in the financial markets, combined with a continued rise in claim costs and premium rebates, contributed to an operating loss for 2001. The five-year schedule of amortization of pre-2000 subclass surpluses to many employers, as a result of the classification system restructuring in 2000, reduced premium revenues and will continue until 2004.

In 2002, government-initiated reviews of the Board's core services will generate changes that are likely to affect costs and

benefits. The Board will respond to the changes and continue to focus on its primary mandate, while offering innovative service delivery options to better serve stakeholders in a financially prudent and cost-effective manner.

Key performance targets

In 2001, the Board made progress on its corporate performance targets. While many performance targets were met and even exceeded in certain cases, others have proved more resistant to progress and plans are being adjusted accordingly. The key corporate indicators are as follows:

- *Injury rate* — The injury rate declined by 5 percent to 3.7 accepted short-term disability claims per 100 person-years of employment. This change exceeded the Board's performance target of 3.9 and is part of an ongoing trend that has seen the injury rate decline year by year from 5.7 in 1991, for an overall decline of 35 percent. Each percent of reduction in the injury rate means $12 million in avoided costs and approximately 36,000 productive days gained to the economy. This performance improvement has been achieved through the combined efforts of workers, unions, employers, and employers' associations, and catalyzed by the WCB and its staff.

- *Duration* — The average total claim duration remained steady at 50.8 days, equal to the average duration in 2000. The target of 49.5 days was not met largely due to the number of days paid to workers who had recovered from their injuries, but were unable to return to their pre-injury employer.

- *Vocational rehabilitation* — This measure tracks the number of clients who return to work with a permanent functional impairment. In 2001, 75 percent returned to work, a decline of 6.5 percentage points from 2000. This was largely due to a downturn in the economy, with fewer jobs for workers to return to post-injury. The goal for 2002 is 82 percent.

- *Earnings retention for workers with permanent functional impairments* — This indicator of retained earnings for workers with permanent disabilities measured 91 percent in 2001. The remaining percentage goes to loss-of-earnings awards. The goal for 2002 is 92 percent.

- *Timeliness* — The average time in days from the date of disablement to the first wage-loss payment was 16 days.

- *Injured workers' service satisfaction rating* — The average rating was 7.8 out of 10 in 2001, just below our target of 8. While there are many aspects of service with which entitled clients are satisfied, there are components such as staff availability and case familiarity that need improvement. Further details are provided in the Compensation and Rehabilitation section.

Each percent of reduction in the injury rate means $12 million in avoided costs.

- *Public contribution index* — This measure of the Board's reputation averaged 67 percent over the year. The annual target of 70 percent was reached during the month of December.
- *Accident Fund balance of 106 percent* — The fund balance was 105 percent, meaning the Board has a slight excess of funds to meet all benefit obligations for the long term. The fund balance reflects lower-than-planned investment income. The Board has achieved an average fund balance of 106 percent in the past five years. For further indicators, please refer to pages 16 and 17.

Safety on the job

The WCB has a vital role in preventing workplace injury and disease. To deliver on the Board's prevention mandate, thereby reducing pain and suffering for workers and reducing financial costs to employers, the Prevention Division provides a variety of programs and services related to consultation, education, and enforcement.

The fundamental indicator of prevention progress is the injury rate, which at 3.7 accepted short-term disability claims per 100 person-years of employment in 2001 was a record low. We believe the Board's goal of reducing the injury rate to 3.5 by 2003 is achievable in co-operation with our workplace stakeholders — workers, employers, unions, employers' associations, and industry health and safety associations. Because of prevention activities, approximately 3,000 fewer workers had a time-loss injury each year during the last six years.

High-risk sectors

The Prevention Division is continuing its strategy of focusing field activity on specific industry sectors where workers have the greatest risk of injury and/or disease. In 2001, the number of sectors targeted was expanded. The eight specific risk groups included in the High-Risk Strategy were construction, forestry, forest products manufacturing, health care, hospitality, transportation, food and beverage manufacturing, and retail. At the end of the year, the injury claims in these risk groups had decreased by 6.4 percent, compared with a decrease of 5.6 percent for all industries. When changes in demographics and fluctuations in the economy are factored out, there is a real reduction in the overall injury rate and the target sectors demonstrate an even larger reduction.

Focus firms

A key strategy is to further focus Prevention resources where they can be most effective. The Focus Firm Strategy targets approximately 370 firms experiencing very high injury rates or a high volume of claims. Many of these firms are from the designated high-risk industry sectors. Strategies include providing advice on:

- Health and safety planning and measurement
- Health and safety systems and practices
- Developing solutions to manage injury factors
- Facilitating injury prevention workshops and training

The program is achieving the desired results to reduce the injury rates for focus firms. The cumulative injury-rate reduction among focus firms since 1998 is 8.3 percent. In 2001, it declined 4.3 percent from the year previous. The sustained decline in the injury rate for focus firms is the result of concerted efforts by the workplace parties, the Prevention Division, employers, and workers. The Focus Firm approach ensures a comprehensive health and safety program that is owned and operated by the workplace parties.

Increasing the number of industry associations is a key objective of the Prevention Division in 2002.

Industry partnerships

The Industry Services Department worked to forge formal and lasting partnerships with specific industries that approached the Board in 2001. These partnerships focus on injury-rate reduction as well as disability prevention. In addition to industry associations in the agricultural sector (FARSHA: Farm and Ranch Safety and Health Association), the performing arts sector (SHAPE: Safety and Health in Arts Production and Entertainment) and the forest products manufacturing sector (IMIRP: Industrial Musculoskeletal Injury Reduction Program), 2001 saw the creation of industry health and safety associations for Interior loggers (BCLHSA: B.C. Logging Health and Safety Agency), B.C. road builders, and B.C. pile drivers. The associations, funded through small premium increases for the industry sector, are transforming the health and safety of these industries through education, training, systems approaches, and audits. Increasing the number of industry associations is a key objective of the Prevention Division in 2002.

The Division also funded, in partnership with health care employers, several large-scale demonstration projects such as installing patient lifting devices and installing a mechanized system for handling soiled laundry to reduce the risk of strains and sprains.

Small business initiatives

Ninety percent of registered employers in B.C. have fewer than 20 workers each and collectively they employ 40 percent of all B.C. workers. In 2001, the Small Business Centre was created to design tools and materials that focus on helping small businesses improve workplace safety and prevent injuries. Health and safety information was created and distributed to small businesses through the Canadian Federation of Independent Business, the B.C. Chamber of Commerce, the B.C. Restaurant and Food Services Association, and the SOHO (Small Office Home Office) Business Group. The associations have welcomed the collaborative effort to educate workers and employers about risks and injury-reduction strategies.

Young workers

During 2001, young worker injuries decreased by 6.5 percent compared with 2000.

B.C.'s 300,000 young workers, aged 15 to 24, remained a key prevention focus in 2001. In 2000, young workers accounted for 44 injuries every working day, five young workers were permanently disabled each week, and six young workers were killed in workplace accidents. Various initiatives were undertaken during the year to address young worker safety including media campaigns, school presentations, sponsorship of youth-oriented events, and research to better understand the risk factors young male workers face. During 2001, young worker injuries decreased by 6.5 percent compared with 2000.

Musculoskeletal injuries

Musculoskeletal injuries (MSIs) accounted for about 30 percent of all injuries to workers in 2001. These strain and sprain injuries occurred mostly in certain industries — acute care and long term care hospitals, supermarkets, local government, and general retail. Two educational booklets were produced in 2001 to help employers and workers avoid these soft tissue injuries. In 2002, the Prevention Division will focus on firms with particular problems as well as implementing a longer-term strategy for risk identification and control of MSIs.

Disease prevention

Occupational disease is a growing concern. The very nature of disease prevention is a more difficult task than injury prevention, particularly because of the extended latency period of many diseases. In 2002, the Board will develop a structured disease prevention program that will ensure proper hazard analysis, risk assessment, and appropriate training in the use of personal protective equipment.

Compensation and rehabilitation

Fundamentally, the role of the Compensation Services Division is to make benefit entitlement decisions within the legislation and assist entitled injured workers to return to the workplace in a safe and timely manner. This mandate was at the very heart of our processes in 2001 — making the right entitlement decisions and providing service to the extent that law and policy provide.

In 2001, 172,103 claims were first reported. Disallowed claims accounted for 6.25 percent of all claims reported; while rejected claims accounted for 1 percent. The goal has been to apply the law and policy with fairness and consistency, recognizing the rights and interests of both workers and employers.

In 1999, the average duration of claims was rising. Likewise, short-term disability costs, vocational rehabilitation costs, health care costs, and long-term disability costs were also rising. In 2000 and 2001, these issues were closely targeted with the result that for 2001, health care payments were 8.3 percent below target, which is a significant improvement when compared with the increases in general health care. Likewise, short-term disability payments were $7 million lower than 2000, marking a second year-to-year decrease. Vocational rehabilitation payments were lower than the previous year for the first time in four years. Finally, the average claim duration for injured workers was 50.8 days in 2001, and did not achieve the target of 49.5 days. The predicted duration trend of 60 days by 2002 appears to have been contained by remedial action taken in 2000 and 2001. Every day of average duration increases short-term disability costs by $6 million.

For the third time the Board's Rehabilitation Centre was surveyed by the Commission for Accreditation for Rehabilitation Facilities and once again received accreditation status for three years. This status recognizes the high standards the Centre has implemented to assure stakeholders that injured workers are receiving quality rehabilitation services.

In the Disability Awards Department, total costs continued to rise because the number of pensions awarded increased. The Department experienced unprecedented increases in new referrals from the appeal processes and from case managers. In 2001, the department processed:

- An 18 percent increase in loss-of-earnings (LOE) pensions
- A 1.1 percent increase in permanent functional impairment pensions

After increasing for the past six years, average LOE pension awards declined in 2001 by 6.2 percent. This decrease is a result of successfully returning more workers to their pre-injury salary and is a testament to improved vocational rehabilitation outcomes.

Meanwhile, Compensation Services continued to receive varied feedback on its client service surveys. Of the more than 12,000 injured workers who were surveyed during the year, the average service score was 7.8 on a 10-point scale. Similarly, of the 3,000 employers surveyed, the average service score was 7.6 on a 10-point scale. These survey results indicate that there are many aspects of service with which our clients are very satisfied *(i.e.*, scores above 8.0). Still, there are other aspects of service which need improvement, such as availability of staff (6.7), case familiarity (7.3), care and concern (7.3), speed of service (7.6), and helpfulness (7.7). These areas will become a higher priority in 2002 and beyond.

Of the more than 12,000 injured workers who were surveyed during the year, the average service score was 7.8 on a 10-point scale.

During the year, the average time lapse between the date of disablement and the first short-term disability payment was reduced slightly to 16 calendar days. The Division has sought to strike a balance between providing timely service and providing high-quality adjudicative decisions. The improvement in timeliness is a result of that strategy. However, the Board must ensure that the quality of first-level adjudication and a positive service-oriented attitude continue to be the major focus of the Division.

For 2002, a strong emphasis will be placed on training and development of staff with a goal of further improving our service delivery quality and the consistency of decision-making. Recent studies indicate that there is room for improvement in the consistent application and communication of law and policy. This will be addressed through ongoing staff training and continued monitoring and feedback to decision-makers about adjudication quality.

Another critical area in achieving effective return to work is improving communication with injured workers. A new communications initiative was developed and implemented in 2001; all adjudicative staff participated in a comprehensive two-day training program in letter writing and client communication. The program is designed to significantly improve the structure and content of the Division's decision letters and improve one-to-one communication with injured workers. In 2002, audits and/or management reviews will be conducted to ensure that improvements in this area are measured and reported.

Employer coverage

Following three years of consultation with employer and worker groups, the WCB introduced a new classification structure in 2000 to distribute employers' premium costs more fairly and equitably. The new structure was created to better reflect B.C.'s evolving economy by grouping industries together that share similar injury or claim costs. Among the benefits, the revamped structure provides an experience rating plan that ensures employers are more account-

able for their own claim costs within their insurance pools. Employers can earn up to a 50 percent reduction in premiums or incur a penalty of 100 percent increase in premiums. This stimulates firms to participate more diligently in injury prevention, disability management, and return-to-work programs.

While the full impact of the updated structure will not be felt for several years, many employers with good claim cost histories moved beyond the traditional maximum premium discount of 33 percent in 2001, while some other employers moved beyond the traditional maximum 33 percent surcharge. This means the revised structure is doing what it was designed to do — financially reward employers with good safety records over the long term and ensure that those with unsafe records bear a proportionately higher cost burden.

The complete restructuring of the insurance system caused a record number of inquiries from employers in the first half of 2001. This volume challenged the staff available to respond, and service quality was inadequate during that period. However, service levels improved markedly as the year progressed. The ability of employers to self-serve through the Internet is a major strategy that is expected to result in greatly improved service later in 2002.

During the year, the Board further improved its online service for employers and homeowners who required clearance letters. Many industries including construction, forestry, and trucking hire contractors on a regular basis and need confirmation of the contractors' account status. More than 200,000 clearance letters are processed every year. In 2001, this online service was expanded to allow employers to access multiple-subject clearance letters. The service, available 24 hours a day, seven days a week, was a major service enhancement. Since its introduction mid-year, more than 100,000 requests for multiple clearances were processed during 2001.

The Data Warehouse project was another major achievement in 2001. The initiative allows for cross-divisional information sharing, provides an improved understanding of the business drivers in each division, and improves management effectiveness. For example, the Data Warehouse provides a key profile report called the Employer Performance Report. Information such as the injury rate, duration, assessable payroll, assessment received, employer experience rating, number of inspection orders and sanctions, and whether the employer is a focus firm is current and instantly available. This information is presented in a manner that benchmarks a specific employer against industry-sector norms. The report is extensively used by all divisions in the course of operations and is a valuable profiling aid that allows better understanding of individual employers. In 2002, the Data Warehouse will be calibrated to provide alerts on key firm or sector performance indicators. The Divisions will be able to provide earlier management intervention initiatives.

During the year, the Board further improved its online service for employers and homeowners.

Service

E-business

As the sole provider of workers' compensation services in B.C., the Board is conscious of the need to offer a choice of delivery channels to those with whom it does business. E-business is a major opportunity to provide service to clients beyond regular business hours to whenever they wish to do business with the Board. WorkSafe™ Online, the Board's web site at www.worksafebc.com, offers service 24 hours a day, seven days a week.

E-business is a major opportunity to provide service to clients beyond regular business hours.

During 2001, the Health and Safety Centre was added to the WCB's online offerings through the WorkSafe Online web site. This internet offering provides comprehensive prevention information and resources across all industries. Specific health and safety information is highlighted in construction, health care, small business, wood products manufacturing, performing arts, and hospitality and tourism. The success of this service is seen in the number of visits, which are approaching 18,000 a month. A key offering of the Health and Safety Centre is the searchable Occupational Health and Safety Regulation, which was introduced in 2001 and provides the ability to search for specific topics and to customize the Regulation to a worksite's specific health and safety needs.

Another e-business initiative introduced in 2001 was online claim status reporting. Injured workers can access timely and accurate claim information including the current status of their claim and their most recent wage-loss payment, while employers and health care providers are able to access only the status of claims.

Other online products introduced in 2001 include:

- *Employers Incident and Injury Report* — A consolidated online report that combines the Incident and Injury Form 7, First Aid Report Form 7A, and the Accident Investigation Form
- *ER2000 Calculator* — Estimates an employer's experience rating discount or surcharge for future years to determine how reducing the costs of injuries can result in lower premium costs.

In spring 2002, the Assessment Department will launch Self-Serve Internet Registration, which will assist employers, self-employed business people, and homeowners to register with the Board on a real-time basis. In addition, a premium calculator will be made available online to assist employers to accurately calculate their premiums.

By the end of 2003, 80 percent of WCB assessment products and services will be accessible on a 24/7 basis through the WorkSafe Online web site.

Human resources

Transition has been and will continue to be a significant challenge as the Board's administration works to meet the changing needs of workers and employers. Various courses to enhance competencies in business knowledge, managerial responsibilities — including technical and people skills — and responding to change were delivered during 2001. Computer-based training was targeted as a key delivery channel to Board staff. Self-directed "e-courses" initially included basic training in computer programs; these will be integrated with classroom instruction in 2002, thereby reducing the length of classroom time and enhancing the productivity of the learning experience. Increased training and development has helped to increase business capacity, improve morale and productivity, and reconcile employee development goals with the needs of the organization.

WCB Ombudsman

The WCB Ombudsman Office provides workers and employers with a neutral mechanism to bring forward issues of alleged unfairness concerning decisions and recommendations, acts done or omitted, procedures, practices, and regulations.

In 2001, the Office opened 1,998 cases, including 304 re-openings, for an 8 percent decrease from the 2,175 cases opened in 2000. Workers made 66 percent of all inquiries and complaints. Employers made 2 percent. Agents, advisors, MLAs, and the Office of the Provincial Ombudsman made up the remaining 32 percent of all inquiries on behalf of individuals.

Numerous individual cases involved the payment of wage loss and vocational rehabilitation benefits, adjustments to employer assessments, discriminatory action complaints, and issues involving communication, disclosure, and appellate decisions.

Fraud prevention

With the creation of the Special Investigations Branch in June 2000, the Board met one of its strategic goals and fulfilled a commitment to employer and worker representatives.

The main goal of the Branch is to aid in ensuring the workers' compensation system remains fair and balanced for the employers and workers of B.C. While the Branch is not yet fully staffed, 2001 successes have shown it will be a valuable and cost-effective tool in the Board's continuing effort to maintain a viable and financially prudent workers' compensation system. During 2001, 826 investigations were conducted, of which 626 involved claimants, 160 involved employers, 20 involved WCB internal matters, and 20 were linked to vendors or other service providers. During the year, six persons were charged with defrauding the WCB. Of the three who had their cases finalized by the courts, all were ordered to make full restitution, along with other penalties. At year-end, almost 300 cases remained active and two major cases were awaiting charge approval by Crown Counsel.

The Special Investigations Branch can be reached toll-free at 1 877 523-3315 or by e-mail at sibinfo@wcb.bc.ca.

Enhancing the Strategic Plan

Performance Highlights

	2001 Target	2001 Actual	2002 Plan
For those we serve			
Decrease injury rate	3.9	3.7	3.6
Reduce average total claim duration	49.5 days	50.8	49.8
Improve return-to-work outcomes for all workers with a permanent functional impairment	New measure	75%	82%
Improve timeliness of initial claim acceptance	14 days	16 days	16 days
Raise injured workers' rating of service (10-point scale)	8.0	7.8	8.0
Raise public contribution index	70%	67%	65%

	2001 Target	2001 Actual	2002 Plan
In our finances			
Achieve an accident fund in the range of 110–115%	106%	105%	99%
Rate groups between 95–105% funded	85%	45%[1]	To be determined by actual results
Attain an aggregate premium rate between $1.75 and $2.25 (per $100 of rateable payroll)[2]	$2.01 ($1.77 after transition and surplus)	$1.98 ($1.77 after transition and surplus)	To be determined by actual results
With our staff			
Improve the work climate every year (5-point scale)	Staff: 3.5 Managers: 3.7	Staff: 3.4 Managers: 3.7	No survey during collective bargaining year
Reflect within our workforce the diversity in our community	Complete Phase 2 (Recruitment, Training, and Mobility) of the Employment Systems Review[3]	Phase 2 completed December 31; outcomes to be studied	Development of implementation strategy

[1]Forty-five percent of rate groups are within that range. Other rate groups are either above or below that range.

[2]In relation to existing legislated benefits.

[3]Employment Systems Review is a three-stage process, agreed to in collective bargaining. The goal of the process is to remove the barriers to recruitment, retention, and advancement for Board employees in the four identified groups.

Direct Reports to the Panel

Appeal Division and Medical Review Panel

The Board's internal appeal structure comprises an Appeal Division and a Medical Review Panel. Both are independent of the Board's administration. As well, there is an external level of appeal called the Workers' Compensation Review Board, which is also independent of the Board's administration and is attached to the Ministry of Skills Development and Labour. The Appeal Division is the final level of appeal on all workers' compensation and vocational rehabilitation appeals. It is the first and final level of appeal on Prevention and Assessment penalties. The Medical Review Panel deals with medical issues only.

In 2001, the Appeal Division had its most productive year since its inception in 1991. There was a 25 percent increase in the number of written decisions and a 44 percent reduction in the Division's undecided inventory. In addition, after stakeholder consultation during the year, the Division completed an extensive review and consolidation of its practices and procedures.

The Medical Review Panel saw a slight increase in appeals in 2001 and a decrease in the number of panels and medical certificates issued. To help increase the number of panels and certificates, the Medical Review Panel Department developed and implemented an automated physician administration system which, along with revised scheduling practices, increased activity at year-end by 28 percent from year-end 2000. Also during the year, the Department published a pamphlet for workers reflecting the chairs' consensus on panel conduct issues.

Policy and Regulation Development Bureau

The Policy and Regulation Development Bureau provides the Panel with advice and recommendations on public policy and occupational health and safety regulation development proposals. This is achieved through a process that includes consultation with worker and employer stakeholders and the operating divisions of the Board.

In 2001, the Bureau assisted in the resolution of a number of complex policy issues such as how the Board calculates retroactive interest payments to workers and employers, and the protection of workers from environmental tobacco smoke in public entertainment and corrections facilities. The Bureau also prepared numerous discussion papers and briefing notes on key policy and legislative matters in support of the provincial government's Core Services Review, and continued re-formatting and consolidating the Board's policy manuals to enhance uniformity and readability.

Research Secretariat

The Research Secretariat facilitates and oversees funding for relevant scientific research and translates research findings and knowledge into practical applications to improve workplace health and safety. In its first year, the Secretariat made significant progress toward the creation of a credible and accountable research program with the funding of 10 new research projects. It is anticipated that each of the research projects will further our knowledge and understanding of healthy and safe workplaces. Additional projects will be funded in 2002.

Research projects will further our knowledge and understanding of healthy and safe workplaces.

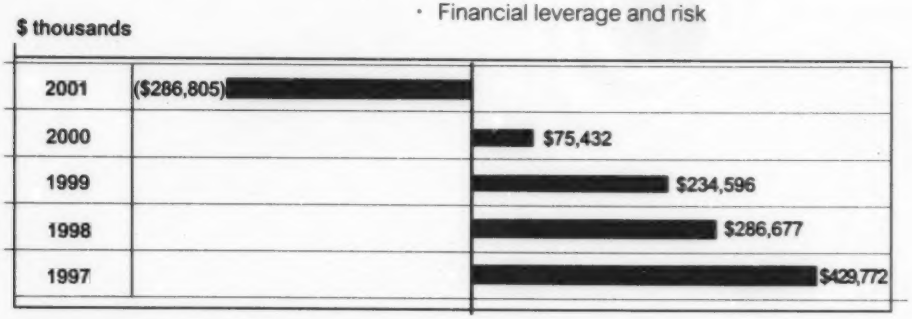
Management Discussion and Analysis

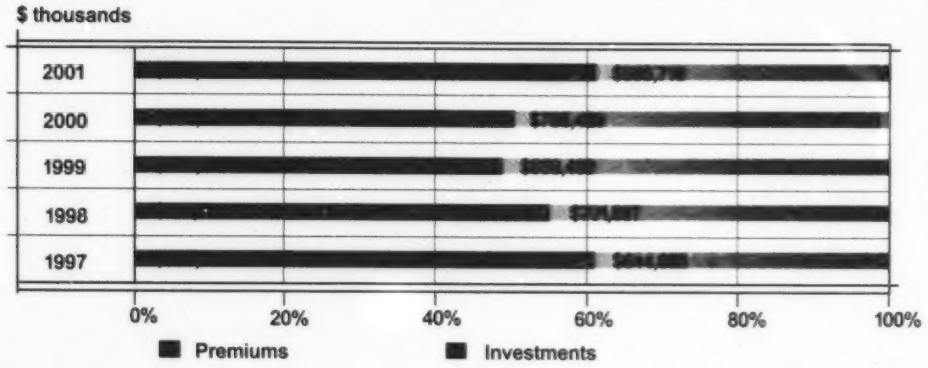
Management Discussion and Analysis

Overview

The key financial management discussion points encompass three critical areas:

- Results of operations
- Funding status
- Financial leverage and risk





Results of operations

The Board recorded an operating deficiency of $287 million in 2001 (2000 — $75 million operating surplus), a decline of $362 million. At the end of 2001, the Board's unappropriated surplus balance was $134 million (2000 — $421 million).

Revenues

Operating revenues declined $157 million or 9.5 percent year over year.

Employer premiums increased $43 million or 5 percent to $909 million as employers, whose rates have been transitioned to higher levels due to the rate group restructuring in 2000, paid rates closer to their target rates in 2001. The three-year rate transition program will end in 2002 for virtually all transitioning employers.

Investment income decreased $200 million or 25.4 percent to $586 million, the result of significant financial market turmoil in 2001. Despite declining market returns in 2001, investment income was 7.5 percent of carrying value, exceeding the requirement for income to match the benchmark rate of 5.5 percent (Consumer Price Index plus 3.5 percent).

With lower investment income, the Board's revenue profile changed in 2001 such that employer premiums provided 60 percent of total funding compared with the almost 50/50 share in the previous two years.

Expenses

The volume of new wage-loss claims declined 6.3 percent as the provincial injury rate dropped to 3.7 claims per 100-person years in 2001 (2000 — 3.9).

Claim costs (including provision for future liabilities), however, rose $204 million or 14.1 percent compared with 2000.

Despite lower new-claim volumes, higher claim costs resulted from actuarial adjustments for prior years' claims to reflect the impact of recent award experience. In 2001, the cost of short-term disability claims decreased by $11 million or 3.5 percent with no change in the duration (average wage-loss days paid per claim).

Long-term disability costs totalled $743 million, an increase of $89 million or 13.6 percent over 2000, excluding the effect of a $400 million one-time cost reduction resulting from the change in discount rate from 3 percent to 3.5 percent in 2000. Long-term disability costs for current-year injuries rose $11 million or 4 percent to $273 million, while provisions related to prior years' injuries were revised upward by $78 million or 19.9 percent to $470 million. Although the cost increase of 19.9 percent is large, it should be noted that the total base of estimated future long-term disability liabilities was $2,011 million at year-end 2000 and the upward revision of $78 million reflects an increase of 3.9 percent of total provision for future long-term disability awards.

Actuarial revisions to prior years' provisions are performed annually to reflect the impact of recent award experience. Increased award patterns resulting from adjudicative practice and appeal decisions increase the expected cost of future long-term disability awards.

Total administration expenses (see Note 8 to the financial statements) in 2001 increased $20.5 million or 7.7 percent. Claimant services increased $6.5 million or 6.3 percent as more resources were put in place to address growth in claim reopenings, appeal returns, and vocational rehabilitation caseloads. Expenses incurred by the independent operations of the Review Board, the Appeal Division, and the Employers' and Workers' Advisers increased $5.9 million or 34.7 percent in 2001, as those operations also deployed increased resources to deal with growing volumes of appeals. Costs for employer services increased $2.7 million or 14.5 percent primarily as a result of increased depreciation of the new suite of employer service operating and accounting systems put into operation in mid-2000. Adoption of GAAP rules to recognize unfinalled actuarial liability for workers' compensation claims of WCB employees increased operating costs by $5.4 million. These increases totalled $20.5 million and accounted for all of the increases in administration expenses.

Gain and loss analysis for rateable classes

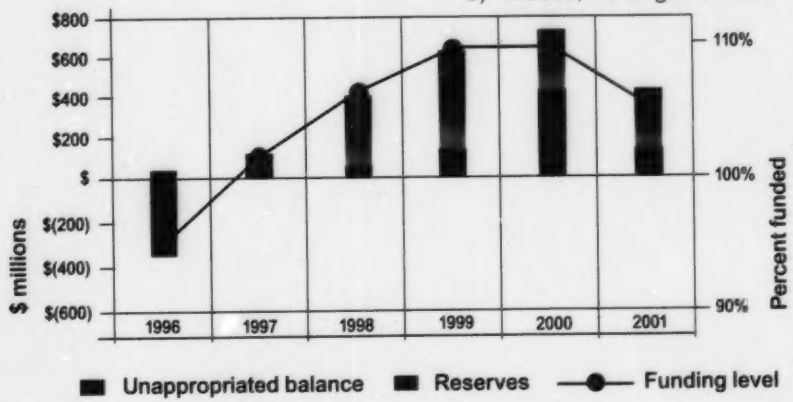
$ millions	2001	2000	Inc(Decr)
a) Premium revenue deficiency over current-year costs	$ (244)	$ (281)	$ 37
b) Investment income greater than liability requirements	157	348	(191)
c) Lower (higher) actuarial liabilities than previously anticipated	(200)	(65)	(135)
d) Adjustments to revalue liabilities	–	73	(73)
Surplus (Deficiency)	$ (287)	$ 75	$ (362)

a) Premium revenue improved compared with 2000 as pre-2000 subclass surplus credits and assessment rate reductions for transitioning employers were reduced to $124 million in 2001, compared with $246 million in 2000. These premium adjustments necessitated by the implementation of the Board's new classification and experience rating systems in 2000 will continue to decrease in future years until the pre-2000 subclass surplus balances are substantially amortized.

b) While still exceeding liability requirements, investment income for 2001 was significantly lower than prior years due to market value decline of the portfolio that eliminated the cushion of deferred gains of $682 million at the end of 2000. The investment income return in 2001 was 7.5 percent (2000 — 10.6 percent).

c) Actuarial liabilities, particularly for prior years' claims, were revised upward in 2001 to reflect award volume and quantum experience during the year.

d) In 2000, a change in discount rate from 3 percent to 3.5 percent resulted in a reduction of $458 million in liabilities, while the capitalization of claim administration costs increased liabilities by $385 million for a net reduction of $73 million.



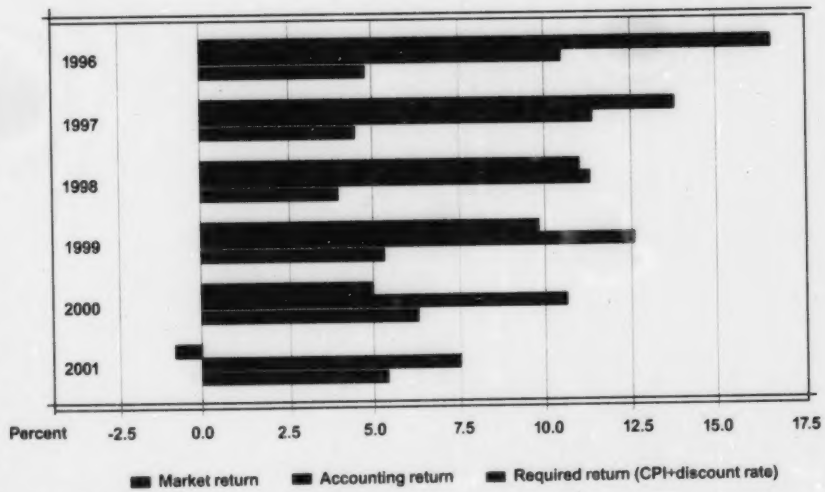
Funding status

At the end of 2001, the Board's unappropriated surplus balance was $134 million and reserves were $290 million. The Board's funding level was 105 percent compared with 109 percent in 2000.

One of the contributing factors to the reduced funding level is the return of surplus balances to employers through premium reductions totalling $90 million (2000 — $147 million). These premium reductions were equivalent to a funding-level reduction of 1 percent in 2001 (2000 — 2 percent).

Financial leverage and risk

The Board's financial performance is highly sensitive to two dominant components of its balance sheet — the portfolio of investments and the benefit liabilities, both of which are near $7.9 billion. Small fluctuations from expected performance in either of these two dominant components have a significant impact on operating results.

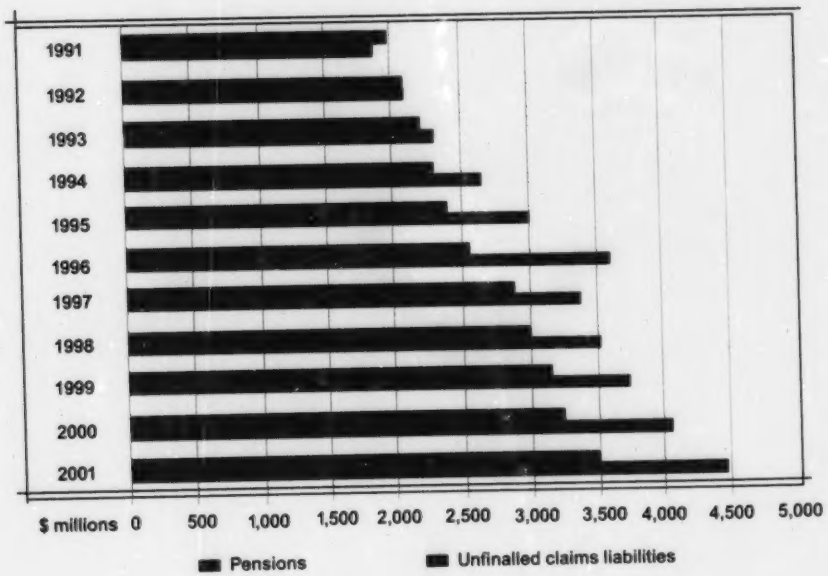


Portfolio of investments — $7,899 million (2000 - $7,686 million)

Compensation benefits are, by legislation, fully indexed to CPI and fully funded by employers. Full funding means that monies collected are to be invested to provide cash flow to cover all future principal and inflation payments plus a risk premium that exceeds CPI. As a result, the Board's liabilities are determined by discounting estimated future payments at a real discount rate of 3.5 percent. Implicit in this discount rate is that the monies collected will earn income at a rate of 3.5 percent above CPI. The Board's portfolio of investments provides reasonable assurance that, in the long term, the portfolio returns will meet the 3.5 percent risk premium. However, market volatility such as that experienced in 2001 will impact investment performance in the short term. During the five years ended December 31, 2001, the Board's portfolio of investments has produced an average annual compound accounting rate of return of 10.7 percent, meaning that $100 invested in 1997 had grown to $166 by the end of 2001. However, included in this performance was a negative market return of 0.8 percent in 2001.

The Board's relatively conservative and widely diversified investment portfolio is constructed to provide stable cash flows from interest and dividends, which ensure a reliable cash flow stream to service claim benefit liabilities. In addition and in accordance with generally accepted accounting treatment in the workers' compensation industry, realized and unrealized portfolio gains and losses are deferred and amortized to income over five years. This accounting treatment has provided a smoothing effect on income but, as evidenced by the accompanying chart, by its nature it also delays and understates the impact of declining market returns. The opposite is true in periods of increasing market returns. Discussion of the treatment and status of deferred gains and losses is found in Note 4 to the financial statements.

The leverage effect of reported investment income is significant as each 1 percent variation from expected return is equivalent to approximately $80 million or 5 percent of total operating income.



Benefit liabilities — $7,870 million (2000 — $7,309 million)

The Board's benefit liabilities are made up of known liabilities for established benefits (pensions) and estimated future liabilities (unfinalled claim liabilities). The following chart illustrates the growth of these two categories and forms the basis for an explanatory discussion.

Benefit liabilities quantify the outcome of many factors: volume and severity of injuries, return-to-work rate, propensity to award permanent disability benefits, and the volume and quantum of appeal decisions. The Board's total benefit liabilities have grown at a compound annual rate of 7.5 percent during the past decade. The compound annual growth rate for pensions was 5.7 percent while the growth rate for unfinalled liabilities was 9.1 percent. A primary reason for this larger increase in unfinalled liabilities is a disproportionate rise in loss-of-earnings awards for old claims that are either re-adjudicated or appealed and new awards substituted for previous awards.

This disparity in growth rate has resulted in the more than doubling (2.4 times 1991 value) of unfinalled claim liabilities compared with 1.8 times the 1991 value of pensions. The difference between the 1.8 and the 2.4 multiple translates to $1,076 million in additional unfinalled liabilities.

In addition and in accordance with generally accepted accounting treatment in the workers' compensation industry, actuarial valuation of unfinalled claim liabilities is based on smoothed average experience (generally five years). Hence, the costs recorded in any given year do not reflect the experience of that year alone. Although this accounting treatment provides a smoothing effect on costs, because of its nature it also delays and understates the impact of rising cost trends. The opposite is true in periods of decreasing cost trends.

The Board's unfinalled claim costs are, therefore, subject to risk in terms of the likelihood of appeals and subsequent resolution of those appeals. At the end of 2001, there were 20,888 appeals pending resolution in the Review Board (2000 — 18,195) and 1,314 claim-related appeals pending resolution in the Appeal Division (2000 — 1,279). To the extent that the benefit liabilities are actuarially based on experience, the Board's financial statements present fairly its financial condition at balance sheet date. However, to the extent that the appeals pending are resolved in a significantly dissimilar way to recent experience, risk exists that the Board's benefit liabilities could require further adjustment in future.

Financial Review

WorkSafe

Financial Review

Responsibility for Financial Reporting

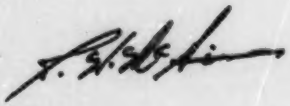
Management of the Workers' Compensation Board is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles. These financial statements include some amounts based upon management's best estimates and judgments. Any financial information contained elsewhere in the annual report conforms to these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

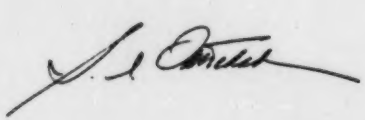
The Internal Audit Department performs audits designed to test the adequacy and consistency of the Board's internal controls, practices, and procedures.

The Auditor General of British Columbia, the external auditor of the Workers' Compensation Board, has performed an independent audit of the financial statements of the Board in accordance with generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and his opinion on the financial statements of the Board.

The firm of Eckler Partners Ltd. has been appointed as the independent consulting actuaries to the Board. Their opinion on the adequacy and appropriateness of the valuation of the Board's benefit liabilities is presented as a part of these financial statements.



Ralph W. McGinn, P. ENG.
President and Chief Executive Officer



Sidney O. Fattedad, FCGA
Vice-President, Finance/Information Services
Chief Financial Officer

March 11, 2002

Report of the Auditor General of British Columbia

To the Panel of Administrators of the Workers' Compensation Board, and

To the Minister of Skills Development and Labour,
Province of British Columbia:

I have audited the balance sheet of the *Workers' Compensation Board* as at December 31, 2001 and the statements of operations and unappropriated balance and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *Workers' Compensation Board* as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

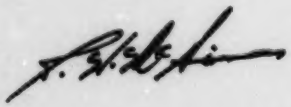
Victoria, British Columbia
March 11, 2002

Balance Sheet
As at December 31, 2001 ($ thousands)

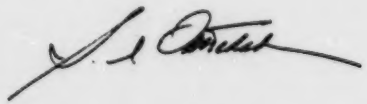
Exhibit 1

	2001	2000
Assets		
Receivables (Note 3)	405,547	407,531
Portfolio investments (Note 4)	7,899,120	7,686,438
Capital assets (Note 5)	162,037	170,501
	8,466,704	**8,264,470**
Liabilities, reserves, and unappropriated balance		
Payables and accruals	172,253	244,919
Benefit liabilities (Notes 6 and 14)	7,870,287	7,308,582
Total liabilities	8,042,540	7,553,501
Reserves (Note 9)	290,000	290,000
Unappropriated balance (Exhibit 2)	134,164	420,969
	8,466,704	**8,264,470**

The accompanying notes are an integral part of the financial statements.



Ralph W. McGinn, P. ENG.
President and Chief Executive Officer



Sidney O. Fattedad, FCGA
Vice-President, Finance/Information Services
Chief Financial Officer

Statement of Operations and Unappropriated Balance
For the Year Ended December 31, 2001 ($ thousands)

Exhibit 2

	2001	2000
Income		
Premiums (Note 10)	909,435	866,242
Investments (Note 4)	585,716	785,429
	1,495,151	1,651,671
Expenses		
Claim costs (Note 7)	1,648,693	1,444,744
Operating costs (Note 8)	133,263	131,495
	1,781,956	1,576,239
(Deficit)/surplus from operations	(286,805)	75,432
Unappropriated balance — January 1	420,969	133,537
Transfer from Future Claims Administration Reserve (Notes 2(d) and 9)	–	212,000
Unappropriated balance — December 31 (Exhibit 1)	**134,164**	**420,969**

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows
For the Year Ended December 31, 2001 ($ thousands)

Exhibit 3

	2001	2000
Cash flow from operating activities		
Annual (deficit)/surplus	(286,805)	75,432
Add/(subtract):		
Depreciation	33,977	31,935
Non-cash investment income	(307,496)	(476,891)
(Decrease)/increase in non-cash claim costs	561,703	392,922
(Decrease)/increase in working capital	(63,806)	125,239
Cash (used in)/from operating activities	(62,427)	148,637
Cash flow from investing activities		
Net (purchase)/sale of fixed-term investments	271,050	224,416
Net (purchase)/sale of equity investments	(172,996)	(336,602)
Net (purchase)/sale of capital assets	(27,480)	(33,938)
Cash from/(used in) investing activities	70,574	(146,124)
Net increase in cash and cash equivalents	8,147	2,513
Cash and cash equivalents — January 1	(24,039)	(26,552)
Cash and cash equivalents — December 31	**(15,892)**	**(24,039)**

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements
For the Year Ended December 31, 2001

Note 1 — Nature of Operations

The Workers' Compensation Board administers the *Workers Compensation Act*, enacted by the British Columbia Legislature in 1917.

The primary functions of the WCB under the Act are promotion of occupational health and safety; compensation for occupational injury, death, or disease; rehabilitation of injured workers; collection of the funds necessary for its operations from employers covered under the Act; and management of portfolio investments in compliance with the *Financial Administration Act*.

An Appeal Division is established under the Act to make final rulings on any appeals pertaining to the Board's premium or benefit decisions.

Premium rates are established at a level to recover current and future costs for claims and operations arising from current claims of established classes of employers, subject to a capping policy to moderate excessive changes in rates from year to year. The Board may also levy a special premium when it is considered appropriate.

The WCB does not receive government funding or other assistance. The funding strategy of the Board is to be fully funded, with any balances in the unfunded liability or unappropriated balance to be amortized on a five-year averaging basis, through adjustments to future assessment rates.

Note 2 — Significant Accounting Policies

(a) Portfolio Investments

Fixed-term investments, having terms greater than one year, consisting primarily of bonds of the Government of Canada, various provinces, and Crown corporations, as well as fixed-term mortgage and global bonds, are stated at amortized cost. Gains and losses realized on disposal of fixed-term investments during the year are deferred and amortized on a straight-line basis over a five-year period.

Fixed-term investments, having terms less than or equal to one year and consisting primarily of treasury bills and other money market instruments, are stated at amortized cost. Gains and losses realized on disposal of these investments are recognized in the year of disposition.

Equity and real estate investments are stated at fair value. The amount by which fair value differs from cost represents an unrealized gain or loss. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities and real estate investments during the year, are deferred and amortized on a straight-line basis over a five-year period.

Investments denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Forward foreign exchange contracts are stated at fair value. The foreign currency exchange gains and losses for these investments are recorded in the same manner as other investment gains and losses.

The fair value of investments is market value. The market value of publicly traded investments is based on quoted prices while that of privately held debt, equity, and real estate investments is based on discounted cash flow or independent appraisals. The market value of forward foreign exchange contracts is determined by the net unrealized gains or losses, as well as premiums paid or received.

(b) Capital Assets

Capital assets are reported at cost and are depreciated on a straight-line basis over their estimated useful lives.

The rates used are as follows:

Buildings	20 to 40 years
Equipment	3 to 10 years
Furniture	10 years
Vehicles	5 years
Operating systems	7 years

Note 2 — continued

Operating systems represent the direct costs incurred in developing new systems that are deferred and amortized on a straight-line basis from the date of implementation.

(c) Benefit Liabilities

The WCB determines its liabilities at the end of each year for all injuries that have taken place to that time.

The Board appoints a consulting actuary who examines the benefit liabilities and the underlying assumptions and methods, and issues a report thereon to the Board. The opinion of the consulting actuary is appended to these financial statements.

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims that occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies, and/or administrative practices in respect of existing claims.

They consist of capitalized values for pension awards already made, plus a provision for unfinalled claims (*i.e.*, for future payments on claims that have not been finalized to date). The benefit liabilities have been discounted to present value, using a real interest rate of 3.5 percent. Since 2000, benefit liabilities include the estimated liability of the future expense of administering existing claims.

As in prior years, the benefit liabilities make no provision for future claims related to long-latency occupational disease, because such a provision cannot be reasonably estimated. However, a $200-million reserve was established in prior years to cover future claims relating to such diseases.

(d) Reserves

The $40-million Accident Fund Special Reserves established pursuant to Section 39 of the *Workers Compensation Act* are:

- Contingent Reserve (Section 39(1)(b)), which provides a reserve in aid of industries or classes which may become depleted or extinguished.
- Disaster Reserve (Section 39(1)(d)), which provides a reserve to meet the loss arising from a disaster or other circumstances that the Board considers unfair burdens to the employers in a particular class.
- Enhancement Reserve (Section 39(1)(e)), which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition, or disability.

Claims deemed by the Board to be covered by these reserves are charged to current operations but are pro-rated to the various employer classes rather than being charged directly to any specific class.

The $30-million Accident Fund Research Reserve, established pursuant to Section 111(2)(h) of the *Workers Compensation Act*, is a reserve for the purpose of funding initiatives in scientific study, as well as disseminating and applying ways to reduce occupational injury, disease, impairment, or disability. The $30-million reserve will remain intact, while investment income earned on the reserve will be directed to funding research. Any excess funding over expenditures in any year will be returned to the Accident Fund. The amount of investment income earned on the reserve will be based on the average annual investment yield earned on the Accident Fund. The management of and fiduciary responsibility over the reserve is indivisible from the Accident Fund and may not be transferred to any other body or organization.

The Board has established a $200-million Latent Occupational Disease Reserve relating to certain occupational diseases that may have occurred in the current or prior years but may not be reported or recognized for a number of years due to the extended latency periods of such diseases. A $20-million Earthquake Disaster Reserve was also established to provide for claims from workers that may be injured in their course of employment during an earthquake disaster.

Note 2 — continued

(e) Premium Income and Accrued Premiums Receivable

As a significant portion of premium income for the year is not received until after the year-end, the amount shown is an estimate based on statistical data. The difference between the estimate and the actual income received is credited or charged to income in the following year. Historically, the difference has not been material.

(f) Self-Insured Employers

Certain employers are self-insured. These employers are billed on a monthly basis for payments of short-term disability, health care, rehabilitation, and for the capitalized values of long-term disability and survivor benefits, together with their proportionate share of administrative costs.

The receivable represents a provision for future claim costs of self-insured classes, for which the final settlement has not been determined; it also includes unpaid current billings.

The WCB also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts paid are recovered from the Government of Canada on a monthly basis.

Note 3 — Receivables ($ thousands)

	2001	2000
Premiums	28,823	55,765
Accrued premiums	165,922	183,871
Self-insured employers — receivable	188,255	152,377
Premiums receivable	383,000	392,013
Self-insured employers — deposits	(14,805)	(13,894)
Accrued benefit asset (Note 12)	31,656	23,821
Other receivables	5,696	5,591
	405,547	**407,531**

Note 4 — Portfolio Investments ($ thousands)

	2001	2000
(a) Portfolio investments		
Fixed-term investments, over one year, amortized cost		
Government of Canada and federal Crown corporations	1,308,385	1,691,944
Other Canadian provinces and agencies	650,948	793,356
Corporate bonds	399,859	357,522
Long bonds	431,699	358,572
Real return bonds	369,174	133,565
Global bonds	274,158	196,854

Note 4 — continued

	2001	2000
Fixed-term mortgages	131,892	28,812
(market value: 2001 — 3,555,046; 2000 — 3,563,125)	3,566,115	3,560,625
Accrued interest	25,032	28,582
Equities, market value		
Canadian Index Fund	706,297	896,705
Managed Canadian Equities	819,423	834,759
U.S. Index Fund	355,228	379,309
Managed U.S. Equities	581,127	609,301
International Equities	1,170,121	1,277,256
	3,632,196	3,997,330
Real estate, market value	442,449	445,766
Foreign exchange forward contract	(3,295)	–
Private placement pool, market value	83,399	51,778
Canadian fixed-term investments, under one year, amortized cost	198,304	308,275
Bank indebtedness	(15,893)	(24,039)
	7,928,307	8,368,317
Deferred investment gains	(29,187)	(681,879)
	7,899,120	**7,686,438**
(b) Deferred investment (gains) losses		
Balance — January 1	(681,879)	(1,252,672)
Realized net (gains) for the year	(101,929)	(711,610)
Unrealized net losses for the year	467,717	807,367
	(316,091)	(1,156,915)
Amortization	286,904	475,036
Balance — December 31	**(29,187)**	**(681,879)**
(c) Investment income		
Earned for the year	298,812	310,393
Amortization of investment gains	286,904	475,036
	585,716	**785,429**

Note 4 — continued

(d) Amortization schedule of deferred investment gains

	2000	2001	2002	2003	2004	2005
Balance — January 1	(1,252,672)	(681,879)	(29,187)	116,051	165,490	73,158
Add:						
Current year's (gains) losses	95,757	365,788	–	–	–	–
	(1,156,915)	(316,091)	(29,187)	116,051	165,490	73,158
Less:						
Amortization of beginning balance	494,093	360,061	218,395	122,596	(19,175)	–
Amortization of current year's realized gains	142,322	20,386	20,386	20,386	20,386	20,386
Amortization of current year's unrealized gains (losses)	(161,379)	(93,543)	(93,543)	(93,543)	(93,543)	(93,544)
Total amortization credited to income	475,036	286,904	145,238	49,439	(92,332)	(73,158)
Balance — December 31	**(681,879)**	**(29,187)**	**116,051**	**165,490**	**73,158**	–

Investment Risk Management

The Board currently invests directly in fixed-income instruments, and indirectly, through the use of pooled funds managed by the British Columbia Investment Management Corporation (bcIMC), in publicly traded equities, real estate, mortgages, and private placements. It also earns additional income by participating in securities lending arrangements, through bcIMC, whereby securities are loaned to and secured by borrowers and approved by the custodian, RBC Global Services. As of December 31, 2001, secured loans amounted to $174,982 (2000 — $248,910).

Credit Risk Management

Credit risk on financial instruments arises from the possibility that a counter-party to an instrument fails to meet its obligations. Therefore, government issuers of debt instruments must have a credit rating of at least BBB, and non-government issuers, as well as other counter-parties, must all have a credit rating of at least A, in order to be eligible for consideration as an investment. Policy guidelines have been established to ensure that the credit ratings of fixed-income instruments do not fall below predetermined levels.

Foreign Exchange Risk Management

The Board has investments denominated in foreign currencies, which are exposed to currency risk. To mitigate this risk, the Board entered into forward foreign exchange contracts, which represent commitments to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract, for the sole purpose of hedging foreign currency transactions. The notional amount of forward foreign exchange contracts amounted to $259,427 at December 31, 2001 (2000 — $0). Their related replacement value at December 31, 2001 was ($3,458) (2000 — $0).

Interest Rate Risk Management

Fluctuations in interest rates can impact the market value of the fixed-income portfolio, as well as shift investor preferences among asset classes. Interest rate risk is minimized by managing the duration of the fixed-income portfolio within predetermined prudent policy limits. Summarized below is the remaining term to maturity of the Board's outstanding fixed-term investments.

Note 4 — continued

	Remaining Term to Maturity					
	Within 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total 2001	Total 2000
Government bonds[1]						
Carrying value	17,700	789,260	766,287	660,244	2,233,491	2,682,154
Market value	17,700	813,817	779,919	661,734	2,273,170	2,706,811
Corporate bonds						
Carrying value	–	330,960	63,056	5,843	399,859	357,522
Market value	–	343,601	64,346	5,915	413,862	360,281
Long bonds						
Carrying value	–	–	–	431,699	431,699	358,572
Market value	–	–	–	378,782	378,782	327,810
Real return bonds						
Carrying value	–	–	–	369,174	369,174	133,565
Market value	–	–	–	356,172	356,172	138,601
Fixed-term mortgage						
Carrying value	–	131,892	–	–	131,892	28,812
Market value	–	133,060	–	–	133,060	29,622
Total						
Carrying value	17,700	1,252,112	829,343	1,466,960	3,566,115	3,560,625
Market value	17,700	1,290,478	844,265	1,402,603	3,555,046	3,563,125

[1] Government bonds include globals and supra-nationals.

The average yield reflects the yield to maturity, which is the discount rate that makes the present value of future cash flows of each fixed-term investment equal to its carrying value. The average yield of these fixed-term investments, excluding real return bonds, as at December 31, 2001 is 5.6 percent (2000 — 5.8 percent).

Real Estate Risk Management

Risk in the real estate portfolio is managed through diversification across real estate types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across residential, commercial, industrial, and development markets.

Note 5 — Capital Assets ($ thousands)

	2001				2000
	Cost	Depreciation	Accumulated Depreciation	Net Book Value	Net Book Value
Land	7,314	–	–	7,314	7,314
Buildings	76,022	1,928	32,896	43,126	44,991
Furniture, equipment, and vehicles	114,947	12,496	94,539	20,408	26,413
Operating systems	137,767	19,553	46,578	91,189	91,783
	336,050	**33,977**	**174,013**	**162,037**	**170,501**

Note 6 — Benefit Liabilities ($ thousands)

	2001							2000
	Short-term Disability	Long-term Disability	Survivor Benefits	Health Care	Vocational Rehabilitation	Claims Administration	Total	Total
Balance — January 1	395,290	4,515,776	777,456	970,236	249,209	400,615	7,308,582	6,915,660
Add claim costs:								
Current year's injuries	283,586	273,030	25,027	194,603	71,582	142,869	990,697	968,515
Prior years' injuries	24,743	469,574	44,436	26,746	45,748	46,749	657,996	476,229
	308,329	742,604	69,463	221,349	117,330	189,618	1,648,693	1,444,744
Less claim payments made:								
Current year's injuries	149,202	434	1,395	64,410	11,417	57,145	284,003	277,098
Prior years' injuries	156,547	291,697	55,844	123,120	78,285	97,492	802,985	774,724
	305,749	292,131	57,239	187,530	89,702	154,637	1,086,988	1,051,822
Balance — December 31	397,870	4,966,249	789,680	1,004,055	276,837	435,596	7,870,287	7,308,582
Represented by:								
Provision for unfinalled claims	397,870	2,238,789	48,968	1,004,055	276,837	435,596	4,402,115	4,078,976
Pension awards, capitalized values	–	2,727,460	740,712	–	–		3,468,172	3,229,606
	397,870	**4,966,249**	**789,680**	**1,004,055**	**276,837**	**435,596**	**7,870,287**	**7,308,582**

In 2001, the Board clarified its classification of claim costs (excluding claim administration) versus gross operating costs (please refer to Note 8). The classification is now based on the nature of activity being performed and its impact on the claimant. Claim costs include any goods, treatment, counselling, or clinical services directly related to the claimant's injury. For better comparability of the 2001 and 2000 financial statements, the 2000 claim costs have been restated to conform to this new classification.

Note 7 — Changes in Actuarial Valuations of Benefit Liabilities ($ thousands)

	2001			2000		
	Claim Costs	*Less:* Benefit Payments	Changes in Actuarial Valuations of Benefit Liabilities	Claim Costs	*Less:* Benefit Payments	Changes in Actuarial Valuations of Benefit Liabilities
Short-term disability	308,329	305,749	2,580	319,402	312,523	6,879
Long-term disability	742,604	292,131	450,473	253,933	266,836	(12,903)
Survivor benefits	69,463	57,239	12,224	9,021	55,993	(46,972)
Health care	221,349	187,530	33,819	230,031	185,657	44,374
Vocational rehabilitation	117,330	89,702	27,628	95,844	94,915	929
Balance before claim administration	1,459,075	932,351	526,724	908,231	915,924	(7,693)
Claim administration	189,618	154,637	34,981	536,513	135,898	400,615
	1,648,693	**1,086,988**	**561,705**	**1,444,744**	**1,051,822**	**392,922**

Note 8 — Operating Costs ($ thousands)

	2001	2000
Prevention and enforcement	39,277	41,485
Claimant services	109,257	102,762
Employer services	21,409	18,692
Information services	34,341	32,977
Facilities and communications	17,201	17,108
Appeals, review board, and advisers	22,861	16,967
Administration	43,554	37,402
Gross operating costs	287,900	267,393
Less:		
Claim administration costs	154,637	135,898
	133,263	**131,495**

Gross operating costs include any goods or processes provided or performed for the primary purpose of assessing the claimant's entitlement to an award or the amount of the award, overall management of a claim, as well as the function of making payment to, or in respect of a claimant. As with the 2000 claim costs (please refer to Note 6), the 2000 operating costs have also been restated to conform to the new classification.

Note 9 — Reserves ($ thousands)

(a) Special reserve costs	2001 Contingent	Disaster	Enhancement	Total	2000 Total
Short-term disability	–	–	32,744	32,744	22,255
Long-term disability	–	–	58,376	58,376	49,962
Survivor benefits	–	–	725	725	764
Health care	–	–	13,692	13,692	9,646
Vocational rehabilitation	–	–	15,237	15,237	16,319
			120,774	**120,774**	**98,946**

The special reserve balance at December 31 is represented by:

	2001	2000
Contingent	2,500	2,500
Disaster	16,500	16,500
Enhancement	21,000	21,000
Balance — December 31	40,000	40,000
(b) Accident Fund Research Reserve	30,000	30,000
(c) Latent Occupational Disease Reserve	200,000	200,000
(d) Earthquake Disaster Reserve	20,000	20,000
	290,000	**290,000**

Note 10 — Premiums ($ thousands)

	2001	2000
Rateable classes	1,000,624	1,083,487
Abatement of pre-2000 subclass surplus	(65,570)	(100,177)
Interest on pre-2000 subclass surplus	(24,531)	(46,585)
Industry-funded initiatives	(6,943)	(6,089)
Capping of rate changes and amortization of balance:		
Capping of rate changes	(26,944)	(111,967)
Amortization of balance	(54,265)	–
Rateable classes — net	(81,209)	(111,967)
Self-insured employers	822,371	818,669
Penalties	81,026	45,200
	6,038	2,373
	909,435	**866,242**

Note 10 — continued

Since the Board implemented its new classification and experience rating systems in 2000, employers in former subclasses with a surplus at December 31, 1999 (total of $431 million) have had their surpluses abated back to them through the rate-setting process generally over a five-year period commencing in 2000. The total amount abated to employers in 2001 is $66 million relating to the subclass surpluses ($100 million in 2000), plus $25 million in interest earned on the subclass surpluses ($47 million in 2000). The interest was calculated based at the rate that was applied to the rate group balances. Employers in subclasses with a deficit at December 31, 1999 (total of $298 million) will have those deficits relieved and funded at the aggregate level by the application of excess investment income.

The capping of rate changes represents the effect of the Board's policy to limit changes to the rates of any rate group from year to year. Beginning in 2000, the capping included a special relief in the assessment rates of employers whose premiums increased by a substantial amount during the transition to the new classification and experience rating systems. The shortfall in funding created by the transition plan is funded at the aggregate level by the application of excess investment income. In case the excess investment income is insufficient, the shortfall will then be funded by raising the aggregate base rate of all employers and independent operators. In 2001, the transition cost is $33 million ($99 million in 2000).

The amortization of the balance represents the effect of the planned amortization of the projected surplus or deficit of each rate group at the beginning of each appropriate year.

Note 11 — Gain and Loss Analysis ($ thousands)

The following is a reconciliation of the variances from the actuarial assumptions for the rateable classes (rounded to the nearest $1 million).

	2001	2000
Unappropriated balance — January 1	421,000	134,000
Current year's excess (deficiency) — rateable classes		
Current year's claim and operating costs		
Estimated	1,033,000	1,060,000
Actual	(1,077,000)	(1,105,000)
	(44,000)	(45,000)
Premium income adjustments		
Abatement and interest on pre-2000 subclass surplus	(90,000)	(147,000)
Amortization of balance	(54,000)	–
Capping of premium rate changes	(27,000)	(112,000)
Prior years' adjustments and miscellaneous	(29,000)	23,000
	(200,000)	(236,000)
Changes in actuarial assumptions		
Change in net discount rate from 3.0% to 3.5%	–	458,000
Capitalization of claims administration expenses	–	(385,000)
	–	73,000

Note 11 — continued

	2001	2000
Prior years' experience gain (loss)		
Short-term disability	(1,000)	(23,000)
Long-term disability	(217,000)	(94,000)
Survivor benefits	(3,000)	23,000
Health care	24,000	2,000
Vocational rehabilitation	(33,000)	(23,000)
Claim administration	(26,000)	n/a
Miscellaneous items	56,000	50,000
	(200,000)	(65,000)
Investment income in excess of Consumer Price Index, plus discount rate (2001 — 3.5%; 2000 — 3.0%)	157,000	348,000
Transfer from claims administration reserve	–	212,000
Unappropriated balance — December 31	**134,000**	**421,000**

Note 12 — Employee Benefit Plans

The Board has several employee benefit plans which provide pension and other post-employment benefits to its employees.

The Board and its employees contribute to the Workers' Compensation Board Superannuation Plan, a defined benefit plan. The plan provides pensions based on length of service and best five-year average earnings. For funding purposes, and to determine the contribution rate, the plan requires an actuarial valuation of the plan's liabilities at intervals of not more than three years. The last valuation was carried out as at March 31, 2000. In addition, the Board also has an unfunded obligation relating to basic medical and extended health care post-retirement benefits that it provides to eligible Board retirees; Board employees are not required to contribute toward these health care benefits.

The cost of these retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, compensation level increases, retirement ages of employees, and expected health care costs. Pension plan assets are recognized at fair value and its expected return is also based on the fair value of its assets. The March 31, 2000 funding valuation results were used to derive the projected liabilities at year-end.

Note 12 — continued

The significant actuarial assumptions adopted in valuing the Board's benefit plan expenses are as follows:

	Pension Plan		Other Benefit Plans	
	2001	**2000**	**2001**	**2000**
Discount rate	7%	7%	7%	7%
Expected long-term rate of return on plan assets	7%	7%	n/a	n/a
Rate of compensation increase/health care cost increase	4.5%	4.5%	6%	6%
Average remaining service period of active employees expected to receive benefits under the pension plan (years)	11 years	11 years	11 years	11 years

Aggregated information about the Board's employee benefit plans is summarized below:

	Pension Plan		Other Benefit Plans	
	2001	**2000**	**2001**	**2000**
Accrued benefit obligation — December 31	482,187	464,424	39,393	35,790
Fair value of plan assets — December 31	599,098	613,880	–	–
Funded status — plan surplus (deficit) — December 31	**116,911**	**149,456**	**(39,393)**	**(35,790)**
Unamortized net actuarial (gain) loss — December 31	34,793	7,752	(1,115)	(190)
Unamortized transitional (asset) — December 31	(120,048)	(133,387)	n/a	n/a
Accrued benefit asset (liability) — December 31	**31,656**	**23,821**	**(40,508)**	**(35,980)**
Amortization of net actuarial (gain) loss	0	0	0	5,064
Amortization of transitional (asset) obligation	(13,339)	(13,339)	n/a	n/a
Employee contributions	5,779	5,469	n/a	n/a
Employer contributions	720	6,491	n/a	n/a
Net benefit plan expense (income)	(7,115)	(7,760)	5,140	10,018

The accrued benefit asset relating to the Board's pension plan is included in its accounts receivable, while the accrued benefit liability relating to its other employee benefit plans is included in its accounts payable.

Because of the significant surplus, the required employee contributions to the basic account have been reduced by 50 percent of the regular amount since 1998 for a period of five years; the employer's contribution was set to equal the employees' contribution until 2000 but was reduced to zero in 2001.

Note 13 — Related Party Transactions

The Board is required to reimburse the Government of British Columbia for the operating costs of the Workers' Compensation Review Board, the Workers' Advisers Office, and the Employers' Advisers Office.

The Board is also responsible for the administration of the *Criminal Injury Compensation Act*. The *Criminal Injury Compensation Act* compensates people who are victims of any of the crimes listed in the statute. The Government of British Columbia reimburses the WCB for all operating costs incurred in the administration of this Act.

In addition to the legislated obligations referred to earlier, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various British Columbia government-controlled ministries, agencies, and Crown corporations to which the Board may be considered related.

Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Note 14 — Self-Insured Employers ($ thousands)

	2001	2000
Current premium income	81,026	45,200
Claim costs		
Short-term disability	20,404	18,799
Long-term disability	31,014	11,798
Survivor benefits	3,607	(444)
Health care	10,421	(2,897)
Vocational rehabilitation	3,966	4,276
Claim administration	8,219	14,918
	77,631	46,450
Share of special reserves costs	4,457	3,681
Operating costs	6,250	10,021
	88,338	60,152
Less: Share of investment income	(7,312)	(14,952)
	81,026	**45,200**

Included in the benefit liabilities is $178 million (2000 — $152 million) for self-insured employers (except for the Government of Canada). An equivalent amount is included in receivables because these liabilities will be paid by those employers in future years, hence they do not affect the Board's unfunded liability.

Note 15 — Comparative Figures

Certain 2000 figures have been reclassified to conform with the current year's presentation.

Actuary's Opinion

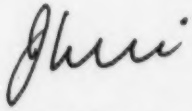
The liabilities included herein have been computed by the Board in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient and reliable for our purposes and consistent with the Board's financial statements.

The liabilities under Pension Awards, Capitalized Values are for pensions in payment, and include the effect of cost-of-living increases granted effective January 1, 2002. They have been computed using the same mortality and other assumptions used for the valuation as at December 31, 2000. The net interest rate of 3.5% makes implicit provision for the future indexing of pensions on the assumption that investment earnings on Board assets in excess of 3.5% will correspond, over the long term, to future inflation-related increases in benefits.

The Provision for Unfinalled Claims represents the liabilities for future claims costs in respect of injuries which occurred during 2001 and prior years, including future pensions other than those already in payment, and future claims administration expenses. It is based on projections of future claims payments and awards using ratios developed from the Board's claims experience, average benefit rates, the net interest rate assumption of 3.5% and, where applicable, the mortality and other assumptions used for computing pension liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at December 31, 2000.

In our opinion, the assumptions made are appropriate, the methods employed are consistent with sound actuarial principles, this valuation conforms with accepted actuarial practices, and the resulting amounts set out below make reasonable provision, as at December 31, 2001, for the future benefits expenditures of the Board in respect of injuries to December 31, 2001.

($,000s)	**Pension Awards, Capitalized Values**	**Provision for Unfinalled Claims**	**Total**
Benefit Liabilities:			
Short-term Disability	–	397,870	397,870
Long-term Disability	2,727,460	2,238,789	4,966,249
Survivor Benefits	740,712	48,968	789,680
Health Care	–	1,004,055	1,004,055
Rehabilitation	–	276,837	276,837
Claims Administration	–	435,596	435,596
	3,468,172	**4,402,115**	**7,870,267**



Jacob Levi, F.S.A., F.C.I.A.
Eckler Partners Ltd.
Consulting Actuaries

March 11, 2002

Ten-year Summary of Financial Statements

Unaudited

Balance Sheet
As at December 31 ($ thousands)

	[illegible]	2000	1999	1998	1997	1996	1995	1994	1993	1992
Assets										
Receivables	406,547	407,531	369,830	404,165	448,336	462,460	446,918	403,694	349,384	281,615
Portfolio investments	7,899,120	7,686,438	7,108,502	6,505,445	5,907,252	5,408,592	4,757,109	4,272,205	3,992,148	3,789,517
Capital assets	162,037	170,501	167,365	136,019	110,142	96,024	93,542	92,619	94,831	90,610
	8,468,704	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**	**5,967,076**	**5,297,569**	**4,768,518**	**4,436,363**	**4,161,742**
Liabilities and net fund surplus (deficiency)										
Payables and accruals	172,253	244,919	94,500	102,527	93,606	95,056	77,705	69,724	56,119	49,733
Benefits liabilities	7,870,287	7,308,582	6,915,660	6,542,161	6,257,860	6,187,528	5,845,022	5,403,216	4,955,596	4,189,051
Total liabilities	8,042,540	7,553,501	7,010,160	6,644,688	6,351,466	6,282,584	5,922,727	5,472,940	5,011,715	4,238,784
Reserves	290,000	290,000	502,000	332,000	70,000	40,000	40,000	40,000	40,000	40,000
Unappropriated balance (Unfunded liability)	134,164	420,969	133,537	68,941	44,264	(355,508)	(665,158)	(744,422)	(615,352)	(117,042)
Net fund surplus (deficiency)	424,164	710,969	635,537	400,941	114,264	(315,508)	(625,158)	(704,422)	(575,352)	(77,042)
	8,466,704	**8,264,470**	**7,645,697**	**7,045,629**	**6,465,730**	**5,967,076**	**5,297,569**	**4,768,518**	**4,436,363**	**4,161,742**

Statement of Operations and Unappropriated Balance (Unfunded Liability)
For the Year Ended December 31 ($ thousands)

	[illegible]	2000	1999	1998	1997	1996	1995	1994	1993	1992
Income										
Premiums	938,435	866,242	875,477	916,742	990,904	999,775	984,601	878,187	759,950	644,987
Investments	585,716	785,429	858,409	701,857	644,688	533,745	437,525	345,373	356,621	316,122
	1,496,151	1,651,671	1,733,886	1,618,599	1,635,592	1,533,520	1,422,126	1,223,560	1,116,571	961,109
Expenses										
Claim costs										
Short-term disability	308,329	319,402	341,832	298,832	267,482	256,822	303,052	309,528	279,330	252,972
Long-term disability	742,604	253,933	524,182	428,029	425,089	467,479	460,630	463,767	245,924	477,319
Survivor benefits	69,463	9,021	43,665	58,036	56,802	58,907	52,055	44,969	550,096	38,442
Health care	221,349	230,031	264,187	245,523	203,062	178,607	207,981	214,993	160,421	140,752
Vocational rehabilitation	117,330	95,844	77,839	66,929	47,285	68,371	129,384	125,992	192,639	43,583
Claims administration	189,618	536,513	–	–	–	–	–	–	–	–
	1,648,693	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102	1,159,249	1,428,410	953,068
Operating and prevention costs										
Operating	248,823	225,908	205,104	194,037	171,311	161,641	159,730	163,554	158,817	148,313
Prevention	39,277	41,485	42,481	40,536	34,789	32,043	30,030	29,827	27,654	26,167
Less: Claim administration costs	(154,637)	(135,898)	–	–	–	–	–	–	–	–
	133,263	131,495	247,585	234,573	206,100	193,684	189,760	193,381	186,471	174,480
	1,781,956	1,576,239	1,499,290	1,331,922	1,205,820	1,223,870	1,342,862	1,352,630	1,614,881	1,127,548
Surplus (Deficiency) from operations	(285,805)	75,432	234,596	286,677	429,772	309,650	79,264	(129,070)	(498,310)	(166,439)
(Unfunded liability) Unappropriated balance — January 1	420,969	133,537	68,941	44,264	(355,508)	(665,158)	(744,422)	(615,352)	(117,042)	49,397
	134,164	208,969	303,537	330,941	74,264	(355,508)	(665,158)	(744,422)	(615,352)	(117,042)
Appropriation to Research Reserve	–	–	–	–	(30,000)	–	–	–	–	–
Appropriation to Future Claims Administration Reserve	–	212,000	–	(212,000)	–	–	–	–	–	–
Appropriation to Latent Occupational Disease Reserve	–	–	(150,000)	(50,000)	–	–	–	–	–	–
Appropriation to Earthquake Disaster Reserve	–	–	(20,000)	–	–	–	–	–	–	–
Unappropriated Balance (Unfunded Liability) — December 31	134,164	420,969	133,537	68,941	44,264	(355,508)	(665,158)	(744,422)	(615,352)	(117,042)

Note: The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

	[redacted]	2000	1999	1998	1997	1996	1995	1994	1993	1992
Supplementary financial information										
Capital asset expenditures ($ thousands)	27,480	33,936	55,540	38,240	33,815	12,584	11,043	10,121	17,389	32,226
Special reserves costs (included in claim costs)	120,774	98,946	92,443	81,319	62,211	77,644	79,681	74,723	74,232	56,896
Claim costs										
Current year's injuries	[redacted]	968,515	850,988	831,110	777,807	699,617	711,931	714,033	646,312	621,219
Prior years' injuries	[redacted]	476,229	400,717	266,239	221,913	330,569	441,171	445,216	782,098	331,849
	[redacted]	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102	1,159,249	1,428,410	953,068
Claim costs										
Payments[1]	[redacted]	1,051,822	878,206	813,048	929,388	687,680	711,296	711,629	661,865	588,969
Change in benefits liabilities	[redacted]	392,922	373,499	284,301	70,332	342,506	441,806	447,620	766,545	364,099
	[redacted]	1,444,744	1,251,705	1,097,349	999,720	1,030,186	1,153,102	1,159,249	1,428,410	953,068
Statistics										
Claims first reported[2]	172,103	184,131	178,187	179,582	185,852	189,418	194,280	197,911	195,117	197,793
Claims accepted[3]	130,323	140,020	136,741	144,380	148,144	145,278	147,223	140,785	135,689	147,513
Claims disallowed[4]	10,753	11,211	9,724	8,139	8,358	9,370	8,776	6,994	5,380	5,544
Claims rejected[5]	1,726	2,144	1,889	1,884	1,733	1,538	1,667	1,846	2,360	2,713
Claims disallowed as a proportion of claims reported (%)[6]	6.2	6.1	5.5	4.5	4.5	4.9	4.5	3.5	2.8	2.8
Injury rate (number of short-term disability claims per 100 person-years of employment)	3.7	3.9	4.1	4.3	4.5	4.6	4.8	5.2	5.3	5.5
Duration of claim (days paid per claim)										
– in injury year	26.8	26.2	26.5	25.9	24.0	22.7	23.3	24.3	24.1	23.1
– total of all years	50.8	50.8	52.3	47.5	42.2	40.1	43.3	45.1	43.2	40.5
Prevention inspection reports issued[7]	28,648	31,063	34,264	32,737	35,894	41,548	47,996	42,940	47,340	46,925
Prevention worksite activity hours[8]	277,319	271,951	251,633	276,268	212,121	225,889	221,785	195,175	n/a	n/a
Employers registered	169,650	166,501	164,963	159,036	153,499	149,582	143,599	138,249	113,929	112,525
Average premium rate ($)	1.77	1.73	1.88	2.01	2.22	2.29	2.29	2.16	2.11	1.95
Investment return of portfolio (%)										
– total return (market yield)	(0.8)	5.0	9.8	11.0	13.8	16.6	17.8	(0.5)	18.2	7.3
– accounting return (yield on average value of portfolio)	7.5	10.6	12.6	11.3	11.4	10.5	9.7	8.4	9.2	8.5
– real return (yield in excess of inflation)[9]	5.6	7.8	10.3	10.3	9.9	8.7	7.3	8.6	7.3	6.9
Percent funded (ratio of assets to total liabilities) (%)[10]	105	109	109	106	102	95	89	87	89	98

1 In 1997, benefit payments include payments of approximately $209 million to widows in respect of retroactive portion of reinstated pensions. Changes in actuarial valuations show a corresponding credit to reflect the reduction of the retroactive liability.

2 Claims are not necessarily disallowed, rejected, or accepted in the year in which they are reported.

3 Claims accepted include claims accepted for health-care-only benefits.

4 Disallowed claims are those that fall within the scope of the *Workers Compensation Act* but are not payable because they are not work-related.

5 Rejected claims are those that do not fall within the scope of the Act: claims from workers employed in industries not covered under the Act, claims from self-employed workers without optional protection, and accounts from physicians submitted in error to the Board.

6 Reported claims that are not accepted, disallowed, or rejected are either suspended claims or "phantom" claims. Suspended claims are those where the claimant fails to respond to a request for information from the adjudicator, or withdraws the claim. "Phantom" claims are accident reports that are not claims for benefits.

7 Since 1994, these reports represent the number of inspections conducted, while in 1993 and earlier years, multiple inspection reports were often issued after a single inspection.

8 Worksite activities include Regional Services field officers' staff time spent on inspections, education, and consultation with workers, and other industry worker services. Prior to 1999, totals do not include certification hours and were obtained from the Prevention Time and Activity Reporting system (TARS).

9 Inflation is the change in the All Canada CPI from the preceding October to the current October value, reflecting the indexation of injured worker benefits.

10 The above amounts have been restated reflecting the retroactive effects of changes in accounting policies.

Ordering

For an electronic copy of the *Workers' Compensation Board of B.C. 2001 Annual Report*, visit our web site at www.worksafebc.com.

If a printed copy is needed, write or call:

Publications and Videos
Workers' Compensation Board
PO Box 5350 Stn Terminal
Vancouver BC V6B 5L5

Phone: 604 276-3068
Toll-free: 1 800 661-2112, local 3068
Fax: 604 279-7406
E-mail: pubvid@wcb.bc.ca

Feedback

If you would like to comment on the *WCB 2001 Annual Report*, please call the Director of Communications at 604 276-3113 or e-mail smccloy@wcb.bc.ca.

Panel of Administrators

Maureen Nicholls, Chair

Alan Barnard

Bruce Rollick

Senior Executives

Ralph McGinn, President and Chief Executive Officer

David Anderson, Vice-President, Rehabilitation and Compensation Services

Vaughan Bowser, Vice-President, Human Resources

Roberta Ellis, Vice-President, Prevention Services

Sid Fattedad, Vice-President, Finance and Information Services

Ed Bates, General Counsel and Secretary to the WCB

Direct Reports to the Panel

Anya Keefe, Director, Research Secretariat

Ajit Mehat, Director General, Policy and Regulation Development Bureau

Leigh Sheardown, Registrar, Medical Review Panel Department

John Steeves, Chief Appeal Commissioner, Appeal Division